

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 AGR-05 CEA-01 COME-00 FRB-01

H-01 INR-07 INT-05 L-02 LAB-04 NSC-05 PA-01 RSC-01

AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 /080 W
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FM AMEMBASSY BUCHAREST

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INFO USEC BRUSSELS

C O N F I D E N T I A L BUCHAREST 0200

USEC BRUSSELS FOR INFO LANDE

E.O. 11652: GDS

TAGS: EEWT, RO

SUBJ: US-ROMANIAN TRADE AGREEMENT: SAFEGUARDS CONT'D.

REF: BUCH 0187

1. DURING MORNING SESSION JANUARY 16 WE PRESENTED OUR MAJOR OBJECTIONS TO GOR PROPOSED TEXT FOR ANNEX I (AS ANTICIPATED REFTTEL A). WE NOTED THAT PART OF PARA 1/A QUOTE IN ORDER TO DEMONSTRATE THE EXISTENCE OF A MARKET DISRUPTION SITUATION END QUOTE DEVIATES FROM REQUIREMENTS OF THE LAW, AS LAW PROVIDES THAT DETERMINATION IS MADE BY DOMESTIC AUTHORITY ALONE, AND THAT PURPOSE OF CONSULTATION IS NOT TO ESTABLISH EXISTENCE. ZARA REPLIED THAT GOR UNDERSTANDS THAT CONSULTATIONS CANNOT IMPINGE ON DOMESTIC AUTHORITY TO DETERMINE WHETHER MARKET DISRUPTION EXISTS OR IS THREATENED; RATHER, CONSULTATIONS COULD PROVIDE OPPORTUNITY TO HEAD OFF DISRUPTION BEFORE IT ACTUALLY OCCURS OR TO DISCUSS THE VARIOUS ECONOMIC FACTORS INVOLVED ON BOTH SIDES. WE AGREED TO REFLECT AND POSSIBLY PROPOSE NEW LANGUAGE.

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2. WE ALSO OBJECTED TO LINE 1/C THAT QUOTE NEW CONCESSIONS SHOULD BE GRANTED TO THE PARTY WHOSE PRODUCTS ARE AFFECTED TO MAINTAIN THE GENERAL LEVEL OF CONCESSION END QUOTE. GOR INSISTED THAT IMPORTANT TO PRECLUDE AN AUTOMATICALLY RETALIATORY SITUATION WHICH FORCED A DROP IN LEVEL OF MUTUAL CONCESSIONS AND THEREBY DEFEAT GOOD INTENTIONS OF THE AGREEMENT. GOR PROPOSED NEW TEXT (FOLLOWING QUOTE TAKEN END QUOTE) QUOTE AND NEW CONCESSIONS ARE NOT GRANTED TO THE PARTY WHOSE PRODUCTS WERE RESTRICTED IN ORDER TO MAINTAIN THE GENERAL LEVEL OF RECIPROCAL CONCESSIONS, END QUOTE (FOLLOWED BY THE EXPORTING PARTY ETC).

3. ON PARA 1/D, WE INCLUDED AMONG OBJECTIONS FACT THAT TRADE COMMISSION IS CHARGED WITH CONSIDERING DOMESTIC FACTORS AND NOT THOSE LISTED, SO THAT GOR'S PROPOSED LANGUAGE WOULD MAKE CONGRESSIONAL APPROVAL DIFFICULT. GOR REITERATED THAT AIM OF PARA 1/D IS TO SET OUT FACTORS TO BE CONSIDERED IN CONSULTATIONS BETWEEN GOVERNMENTS, NOT CRITERIA OR PROCEDURE FOR DOMESTIC DECISIONS. WE PROMISED FURTHER CONSIDERATION.

4. TO MEET GOR CONCERNS EXPRESSED ABOUT PARA 1/A AND 1/D, WE SUGGEST FOLLOWING LANGUAGE FOR FIRST PARAGRAPH OF ROMANIAN 1/A:

BEGIN TEXT

THE CONSULTATIONS PROVIDED FOR UNDER ARTICLE III SHALL PROVIDE FOR A REVIEW OF THE PRODUCTION, MARKET AND TRADE SITUATION OF THE INDUSTRY AND PRODUCT INVOLVED (INCLUDING TRENDS IN DOMESTIC PRODUCTION, PROFITS OF FIRMS WITHIN THE INDUSTRY, UNEMPLOYMENT, AND UNDEREMPLOYMENT, SALES, INVENTORIES, RATES OF INCREASE OF IMPORTS FROM COUNTRY IN QUESTION, MARKET SHARE AND ABSOLUTE LEVEL OF SUCH IMPORTS), AND FOR A REVIEW OF THE PARTICULAR BASIS FOR CONCERN OVER THE IMPORTS THAT MAY BE CAUSING, OR THREATENING TO CAUSE, OR SIGNIFICANTLY CONTRIBUTING TO, MARKET DISRUPTION, AND A REVIEW OF POSSIBLE MEANS OF PREVENTING OR REMEDYING SUCH MARKET DISRUPTION. IN CARRYING OUT THE CONSULTATIONS, DUE IMPORTANCE SHALL ALSO BE ATTACHED TO OVERALL ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. BOTH PARTIES, IN CARRYING OUT THESE CONSULTATIONS, SHALL TAKE DUE ACCOUNT OF ANY CONTRACTS BETWEEN NATIONALS, COMPANIES AND ECONOMIC ORGANIZATIONS OF THE UNITED STATES

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OF AMERICA AND THE SOCIALIST REPUBLIC OF ROMANIA CONCLUDED PRIOR TO THE REQUEST FOR CONSULTATIONS. END TEXT

5. OUR PROPOSED LANGUAGE (QUOTED PARA 4) AND GOR SUGGESTIONS FOR ROMANIAN 1/C (QUOTED PARA 2) APPEAR CONSISTENT WITH TRADE ACT, ALTHOUGH THERE MAY BE QUESTION AS TO CONGRESSIONAL ACCEPTABILITY, PARTICULARLY SINCE THESE PROVISIONS WOULD (1) GO BEYOND PROVISIONS IN SOVIET AGREEMENT WHICH WERE

REFERRED TO FAVORABLY IN SENATE FINANCE COMMITTEE REPORT,
AND (2) INTRODUCE CONCILIATORY ELEMENT INTO WHAT WAS INTENDED
BY CONGRESS TO BE HARSH REMEDY. WOULD APPRECIATE REACTION TO
LANGUAGE PROPOSED PARAS 2 AND 4.
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